



Legislative Finance Committee

57th Montana Legislature

Room 110, State Capitol, • P.O. Box 201711 • Helena, MT 59620-1711 • (406) 444-2986 • FAX (406) 444-3036

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BOB KEENAN, SECRETARY
ROYAL JOHNSON
LINDA NELSON
EMILY STONINGTON
TOM ZOOK

MINUTES

June 13 & 14, 2002
Room 303, State Capitol
Helena, Montana

Call to Order and Roll Call of Joint Meeting for June 13, 2002

The joint meeting of the Legislative Finance and Revenue and Transportation Committees was called to order at 8:05 a.m. by Representative Ron Erickson in Room 303 of the State Capitol on Thursday, June 13, 2002.

Legislative Finance Committee

Rep. Dave Lewis
Rep. Gary Forrester
Rep. Joey Jayne
Rep. Dave Kasten
Rep. William Price
Rep. Joe Tropila
Sen. Greg Jergeson
Sen. Royal Johnson
Sen. Bob Keenan
Sen. Linda Nelson
Sen. Emily Stonington
Sen. Tom Zook
Clayton Schenck, Legislative Fiscal Analyst
Cindy Campbell, Committee Secretary

Revenue and Transportation Committee

Rep. Ron Erickson
Rep. Ron Devlin, Excused
Rep. Christine Kaufmann
Rep. Jesse Laslovich
Rep. Somerville, Excused
Rep. Bob Story, Jr.
Sen. Vicki Cocchiarella
Sen. Bob DePratu
Sen. Jon Ellingson

Sen. Bill Glaser
Sen. Glen Roush
Sen. Mike Taylor
Leanne Kurtz, Legislative Research Analyst

General Fund Deficit/Executive Fiscal 2003 Spending Reduction Proposal: Overview (Tape 1A-026)

Clayton Schenck, Director, Legislative Fiscal Division, presented an overview of the LFD Analysis Spending Reductions Proposal Fiscal 2003. (Exhibit 1) Chuck Swysgood, Director of the Office of Budget and Program Planning (OBPP), provided comments on behalf of the executive. He told the committee members the potential wildfire costs were not included in OBPP's revenue projections, which is the main reason for the difference between the OBPP and LFD revenue projections. He further explained if they had included the potential wildfire costs, the percentage of proposed budget reductions would have to be higher.

Senator Ellingson read his prepared testimony for the record, encouraging the committees to recommend a special session of the legislature to deal with the budget deficit. **Representative Lewis** responded to **Senator Ellingson's** testimony. Director Swysgood also provided a response, stating that the proposed reductions meet the statutory requirements and therefore, there is no need for a special session at this time.

Representative Tropila commented on the potential problems for the School for the Deaf and Blind if the proposed cuts become reality. He also submitted several letters from constituents regarding potential impacts if the school's budget is cut to the degree proposed by the executive. (Exhibits 2-2e)

Representative Forrester submitted a letter from the Yellowstone County commissioners regarding the proposed budget cuts. (Exhibit 3)

Other members from both committees provided comments on the budget shortfalls and possible solutions, as well as pros and cons of a special session. Director Swysgood responded to questions from various members. Members discussed various options for solving the budget crisis and potential impacts.

Adjournment

The joint meeting adjourned at 10:45 a.m.

Call to Order of the Legislative Finance Committee Meeting (Tape 2A-085)

Following adjournment of the joint meeting, the 182nd meeting of the Legislative Finance Committee (LFC) was called to order at 11:00 a.m. by Representative Dave Lewis, Chair.

1. Approval of Minutes for March 14 & 15, 2002 (Tape 2A-108)

Representative Tropila moved the minutes of the March 14 & 15, 2002, meeting be approved as presented. **VOTE:** The motion carried unanimously.

2. Overview: LFD Analysis of Spending Reduction Proposals (Tape 2A-114)

Taryn Purdy, Principal Fiscal Analyst, presented the overview of the LFD analysis of the agency reductions plans as detailed on pages 18 through 31 and Appendices A through K of Exhibit 1, LFD Analysis Spending Reductions Proposal Fiscal 2003. Director Swysgood provided the executive response and submitted letters from the Department of Transportation (DOT) (Exhibit 4) and Department of Commerce (DOC) (Exhibit 4a).

The letter from DOT explains plans to return funds that were transferred to the State Highway Special Revenue Fund from the general fund per HB124 in the amount of \$5,790,814 (\$2,873,853 for FY 2002 and \$2,916,961 for FY2003). The letter from Mark Simonich, Director of Commerce, explains their proposal to reduce the budget of the Research & Commercialization board by \$485,000. Director Swysgood also explained another proposal for repayment of the \$20 million dollar loan to the State Fund for worker's compensation.

Senator Jergeson submitted a letter from Representative Kim Gillan regarding the proposed budget reductions. (Exhibit 5) **Senator John Cobb** testified before the LFC asking members to consider recommending a special session to deal with the budget reductions. (Exhibit 6)

3. Committee Review and Comments on Agency Spending Reduction Proposals (Tape 2B-165)

Taryn Purdy introduced Part 3 – Expenditure Reduction Plan of the LFD Analysis Spending Reductions Proposal Fiscal 2003. Members of the LFD staff presented information from the individual sections. Agency staff and Director Swysgood provided comments on the proposed reductions. Members of various organizations and the public offered testimony. (Exhibit 7)

Gail Gray, Director for the Department of Public Health and Human Services (DPHHS), presented information regarding the possibility of a provider tax to supplement Medicaid revenues. (Exhibit 8)

MOTION: Senator Stonington moved that the LFC encourage DPHHS and the executive to aggressively pursue the development of the idea of a provider tax to supplement the Medicaid revenues. **VOTE:** Motion carried with **Representative Kasten** voting no.

MOTION: Following review and discussion of the proposed spending reductions, **Senator Jergeson** moved the LFC voice concerns that the Governor's budget balancing plan contains the following deficiencies: 1) depends on the uncertainty of a future legislature approving a number of fund transfers and other budget balancers; 2) relies heavily on hidden taxes through cost-shifting and prioritization to clients and local governments and tuition increases on university students; 3) burdens vulnerable populations like the blind and deaf, children in need of child care and foster care, senior citizens, and the disabled; and 4) is based on statute of questionable constitutionality, i.e., authority for the Governor to cut budgets that are appropriated to other constitutionally established offices and entities. **VOTE:** Motion failed with **Representatives Lewis, Kasten, and Price** and **Senators Johnson, Keenan and Zook** voting no.

MOTION: Senator Johnson moved the LFC generally concur with the budget office's spending proposal reductions, urging the budget office and the Governor to continue their efforts to reduce the impacts of all the reductions. Also, that the LFC suggests that the budget office consider incorporating ideas and comments submitted by agency staff and the public in their final proposal. **Representative Jayne** spoke in opposition to **Senator Johnson's** motion, stating

several reasons why she intended to vote against it. **VOTE:** Motion carried with **Representative Jayne** and **Senators Jergeson, Nelson, and Stonington** voting no.

AMENDED MOTION: **Representative Forrester** voiced a concern about the problem with fund transfers as mentioned in the LFD analysis. He moved to amend Senator Johnson's motion to include reference to the fact that legal counsel from the Legislative Services Division has advised the LFC that there are legal issues to be addressed in regard to the transfers; that the LFC recommend the Governor review this; and that attempts be made to mitigate the problem.

VOTE: Motion carried with **Senator Jergeson** voting no.

MOTION: In association with the previous amended motion, **Representative Forrester** moved the LFC request staff to draft legislation to address legal issues with regard to fund transfers.

VOTE: Motion carried unanimously.

FRIDAY, JUNE 14, 2002

Roll Call for June 14, 2002

Rep. Dave Lewis
Rep. Gary Forrester
Rep. Joey Jayne
Rep. Dave Kasten
Rep. William Price
Rep. Joe Tropila
Sen. Greg Jergeson
Sen. Royal Johnson
Sen. Bob Keenan
Sen. Linda Nelson
Sen. Emily Stonington, Excused
Sen. Tom Zook
Clayton Schenck, Legislative Fiscal Analyst
Cindy Campbell, Committee Secretary

Call to Order (Tape 6B-045)

The 182nd meeting of the Legislative Finance Committee (LFC) reconvened on Friday, June 14, 2002, and was called to order at 8:10 a.m. by **Representative Dave Lewis**, Chair, in Hearing Room 303 of the State Capitol, Helena, Montana.

4. Executive Appropriations Transfer (Supplemental) Requests (Tape 6B-051)

Taryn Purdy presented the appropriations transfers submitted by the Governor. (Exhibit 9) She reported that the LFD staff raises no issues with the first three appropriation transfers from the Departments of Commerce, Revenue, and Justice.

Gary Hamel, Senior Fiscal Analyst, summarized his report on the request from the Department of Natural Resources and Conservation (DNRC) for a \$3.5 million transfer of authority for known fiscal 2002 wildfire costs. He offered three options for consideration by the LFC. Discussion ensued regarding the ongoing problems with the current procedures for funding wildfire costs. Jane Hamman, OBPP, and Don MacIntyre, Legal Counsel for DNRC, spoke on behalf of the executive and responded to questions from committee members.

MOTION: Senator Zook moved that the LFC take action as defined in option 2, page 5 of Mr. Hamel's report. Option 2 states, "Inform the Governor of statutory compliance issues with the request." **VOTE:** Motion carried unanimously.

Lois Steinbeck, Senior Fiscal Analyst, presented a report on the supplemental request from DPHHS. Her report provided background information, as well as a plan to offset the supplemental, the legality of \$2.8 million in spending reductions, and options for fiscal 2003 spending reductions.

MOTION: Senator Zook moved that the LFC send a letter to DPHHS stating the current plan for spending reductions does not meet statutory requirements and request they submit a plan that does meet the statutory requirements. Director Gray, DPHHS, provided comments about the plan and the proposed spending reductions. **VOTE:** Motion carried unanimously.

MOTION: With regard to the requests for appropriation transfers from the Departments of Commerce, Revenue and Justice, **Senator Jergeson** moved the LFC adopt option 1 on page 2 of Taryn Purdy's report, which states: "Inform the Governor that the committee does not raise any issues of statutory compliance with any proposed transfer." **VOTE:** Motion carried unanimously.

5. Judiciary – Voluntary Spending Reductions (Tape 7A-0165)

Chief Justice Karla Gray presented information on the voluntary spending reductions submitted by the Judicial Branch. Although the branch was exempted from the reductions in 17-7-140, MCA, they offered voluntary spending reductions as explained in the LFD analysis. (Exhibit 10) (Although the LFD staff completed an analysis of these reductions, they were not included in the publication, LFD Analysis Spending Reductions Proposal Fiscal 2003, because the reductions were voluntary and not mandatory.)

6. District Courts Financing – State Assumption: Update (Tape 7A-328)

Lynn Zanto, Associate Fiscal Analyst, presented an overview and questions for the Judicial Branch on the status on the district courts financing – state assumption. (Exhibit 11) Chief Justice Karla Gray presented an update on behalf of the branch. She told the committee that they will meet the deadline of July 1, 2002, and that she is proud of the work her staff has done in accomplishing this goal. Chief Justice Gray stated that she does anticipate problems, but they will do their best to handle them as quickly and efficiently as possible. Several members of her staff presented information on various aspects of the project and responded to questions from committee members. (Exhibit 11a)

7. Other Reports (Tape 7B-155)

Budget Amendments - Lorene Thorson, Senior Fiscal Analyst, presented the budget amendments report. (Exhibit 12) Jane Hamman, OBPP, and Rhonda Schaffer, Director of Budget for Department of Corrections, provided comments on behalf of the executive.

Operating Plan Changes and Program Transfers – A report on the operating plan changes and program transfers was included in the LFC book, but was not formally presented as LFD staff found no concerns with them. (Exhibit 12a)

8. Alternative Compensation Plan (Broadbanding) (Tape 7B-210)

Greg DeWitt and Gary Hamel, LFD Staff, presented the report, Alternative Compensation Plan (Broadbanding). (Exhibit 13) John McEwen and Steve Bender from the Department of Administration provided comments on the plan and answered questions from LFC members.

9. Vacancy Savings/Personal Services Budgeting Study (Tape 8A-333)

A report on the budgeting study of vacancy savings/personal services was presented by Jon Moe, Legislative Fiscal Specialist, and Todd Younkin, Senior Fiscal Analyst. (Exhibit 14) Mr. Moe covered vacancy savings and Mr. Younkin reported on personal services, providing options in both areas for consideration by the LFC. Discussion was held which also involved the issue of broadbanding, which was previously reported by Greg Dewitt and Gary Hamel. LFD staff responded to questions from LFC members .

10. Information Technology Management Update (SB 131) (Tape 9A-021)

Brian Wolf, CIO, presented an update on information technology management. (Exhibit 15) Jeff Brandt from ISD, Department of Administration, presented information on potential legislation impacting information technology in Montana.

11. Final Report/Recommendations of SB 162 Earmarking Review Subcommittee (Tape 9A-380)

Clayton Schenck presented the final report and recommendations of the SB 162 Earmarking Review Subcommittee. (Exhibit 16) **MOTION: Senator Zook** moved that the LFC receive the subcommittee's report and recommendations. **VOTE:** Motion carried unanimously.

The report will be formally presented at the October LFC meeting for a more detailed review by the LFC.

12. Status of Interim Studies (Tape 9A-405)

Clayton Schenck presented a summary update on the following subcommittees:

1. HJR 1: Mental Health Services (Exhibit 17)
2. POINTS Subcommittee (Exhibit 18)
3. Postsecondary Education Policy and Budget (Exhibit 19)

Greg DeWitt and **Senators Johnson and Jergeson** provided additional comments about the POINTS Subcommittee.

13. Required Reports

The required reports were included in the LFC books but not formally presented. (Exhibit 20)

14. Committee Business (Tape 9A-659)

Clayton Schenck presented the items under committee business. (Exhibit 21)

LFD Operating Plan Change Request - Mr. Schenck proposed an operating plan change for fiscal 2002 for LFD.

MOTION: **Senator Jergeson** moved that the proposed LFD operating plan change for fiscal 2002 of up to \$42,000 general fund as described in the LFA memo dated June 14, 2002 and as shown in the attached table be approved. It is directed that only the amount necessary to avoid a year-end deficit in personal services be transferred, up to a maximum of \$42,000. **VOTE:** Motion carried unanimously.

Budget Director's Request for Voluntary Spending Reductions: Legislative Branch Response –

A copy of the proposed Legislative Branch voluntary spending reductions was provided to the LFC members for approval.

MOTION: **Senator Johnson** moved that in the spirit of fair and cooperative response to the fiscal 2003 general fund deficit and in response to the request of the Budget Director in a letter dated April 18, 2002, the Legislative Fiscal Analyst is directed to work with the other two

Legislative Branch staff directors to ensure a voluntary branch-wide spending reduction that ensures a general fund reversion for fiscal 2003 that is at least the same percentage as the average agency spending reduction percentage directed by the Governor for executive branch agencies in accordance with 17-7-140, MCA. **VOTE:** Motion carried unanimously.

Next LFC Meeting

The next meeting of the LFC will be held on October 3 and 4, 2002.

Adjournment

MOTION: Representative Tropila moved to adjourn. **VOTE:** Motion carried unanimously.

Meeting adjourned at 1:30 p.m.

Representative Dave Lewis, Chairman

Cindy Campbell, Committee Secretary